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SUBSTANCE

OF TWO

SPEECHES

OF

HENRY THORNTON, ESQ.

IN THE

DEBATE IN THE HOUSE OF COMMONS,

ON THE

REPORT

OF

THE BULLION COMMITTEE,

ON THE 7TH AND 14TH OF MAY, 1811.



LONDON:

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1811.

1870

Received of the Treasurer of the
City of New York the sum of
Five Hundred Dollars

for the purchase of
City Bonds

for the use of the
City of New York

Witness my hand and seal
this 1st day of January
1870

Mayor

P R E F A C E.

THE first of the two following Speeches was delivered soon after the opening of the debate in the House of Commons on the Report of the Bullion Committee; the question then under consideration being the first of the Resolutions moved by Mr. Horner, the Chairman of that Committee. The general object of his Resolutions may be stated, briefly, to have been, First, to declare what was the standard of the country; secondly, to affirm the depreciation of Bank paper; thirdly, to suggest the limitation of it, as the means of improving its value and preparing for a return to cash payments; and, lastly, also to recommend that the Bank should open

in two years. It was chiefly to the third point, namely, the practical measure of limiting the Bank paper, that the first Speech was directed.

The second Speech was delivered after a debate of five days had taken place. The Resolutions of Mr. Horner had then been negatived, and the counter Resolutions, moved by Mr. Vansittart, were under consideration.

The imperfect manner in which the very extended debates on the Report of the Bullion Committee have been given to the public, and the importance of spreading sound opinions on the fundamental principles of the system of our paper credit, are the considerations which have led to the present publication.

It contains the substance of the facts and arguments adduced, as far as they could be recollected, though the order may have been in some degree changed; and a few

passages, which appear to have been misunderstood, are rendered more clear.

The substance of these Speeches is submitted more especially to those numerous Constituents, to whose favour the individual who delivered them stands indebted for the opportunity which he has had of expressing his sentiments on this subject before the House;—a subject which has long engaged his careful attention, and on which he has been most anxious to form a sound and dispassionate, as well as disinterested, judgment.

The first part of the paper is devoted to a general discussion of the principles of the theory of the structure of the atom. It is shown that the structure of the atom is determined by the laws of quantum mechanics, and that the laws of quantum mechanics are in agreement with the experimental facts. The second part of the paper is devoted to a detailed discussion of the structure of the atom, and to the calculation of the energy levels of the atom. It is shown that the energy levels of the atom are determined by the laws of quantum mechanics, and that the laws of quantum mechanics are in agreement with the experimental facts. The third part of the paper is devoted to a discussion of the structure of the atom, and to the calculation of the energy levels of the atom. It is shown that the energy levels of the atom are determined by the laws of quantum mechanics, and that the laws of quantum mechanics are in agreement with the experimental facts.

TWO
SPEECHES
OF
MR. HENRY THORNTON.

MAY 7, 1811.

MR. H. THORNTON said, that however ably, as well as fully, the Learned Gentleman (Mr. Horner), who opened this discussion, had treated the subject, he conceived that there were some important points which required amplification; and he should prefer entering on these, to the examination of those numerous and smaller questions respecting the accuracy of the Report of the Bullion Committee, on which the Right Hon. Gentleman who preceded him (Mr. Rose) had principally dwelt. A time would come, when the respective merits of the several propositions intended to be submitted by different members would be brought into minute discussion, and an answer to the Right Hon. Gentleman might then, perhaps, be more conveniently given. He trusted the House would agree with him in the propriety of his confining himself, for the present, to great and broad principles; he should

apply himself to the spirit of some of the first resolutions now proposed, and to the main point at this moment in issue. That main point was, not whether the Bank should open at any particular time, or any change be made as to the law in this respect, which would be a second consideration; but whether with a view to facilitate such opening if it should be prescribed, or with a view to secure the due maintenance of our standard during the long continuance of the restriction of cash payments, if the continuance should be deemed advisable, it was or was not expedient that the Bank should regulate the issues of its paper with a reference to the price of Bullion, and the state of the Exchanges. The Bank and the Bullion Committee were at variance on this leading and essential point. The Committee affirmed, that the quantity of paper had an influence on the price of Bullion, and the state of the Exchanges; all the Directors of the Bank who had been examined, affirmed that it had not. The Right Hon. Gentleman over the way (Mr. Rose) likewise insisted that it had not. "None whatever," were his words. This was a great practical question. If the Bank had in their own hand the power of improving the Exchange, and lowering the price of Bullion, and did not use it, if they had the means of restoring, or

contributing to restore, the standard of the country, and did not at all believe that they possessed it, then it became the House, who had exempted them from the necessity of making payments in cash, supposing it to agree with the Bullion Committee, to take care that the Bank should resort to the proper remedy of the present evil, by interposing some suggestion of their own on the subject.

He would now proceed to prove, that quantity of paper had an influence on the price of Bullion and the Exchanges. There were two steps in this argument. First, he had to shew that quantity of paper influenced its value, or, in other words, the relative value of commodities exchanged for it. Could it be doubted, on the first mention of the proposition, that the quantity of all articles affected their value? This was unquestionably true of the precious metals, for the augmented supply obtained from the mines of the new world, was acknowledged to have produced that general lowering of the value of money, which had been experienced in Europe for many years. And why was paper, the substitute for gold, to be exempted from this universal law? He had never yet found any man, who, when the simple question was put to him, whether an augmentation of paper had a tendency to reduce

its value, or raise that of commodities, had been so singular as to refuse his assent to the proposition. One of the Bank Directors of Dublin, when examined before the Committee on the State of the Irish Exchange, though firmly persuaded that an extension of paper currency had no influence whatever on Exchanges, had been very ready to agree that it must have an effect on the price of commodities, and one of the Directors of the Bank of England had then, if he rightly recollected, made a similar admission.

This point had been conceded only the other day in the House; for in debating the question of granting Exchequer Bills to the distressed manufacturers, it was generally affirmed and understood that the supply of those bills, which would operate in some measure as circulating medium, and would facilitate their obtaining it, would enable them to maintain their prices at a point higher than that to which they otherwise would have fallen. He himself well remembered having in 1796 observed the influence upon prices, which the restriction of the Bank discounts at that period had produced. He recollected to have then heard a West-India merchant, who had failed to obtain from the Bank the whole of his usual and expected accommodation, declare his intention of pro-

ceeding in consequence to sell some of his sugar at a somewhat reduced rate; half an hour after which, he heard a sugar-baker express his indisposition to buy sugar in consequence of the same scarcity of money, which he also had experienced. Was it not obvious, that when these two men met in the sugar-market, some fall in the price of that commodity would be the result? When money was generally scarce, an influence of this kind would diffuse itself over all commodities: it was thus, in short, that general prices were regulated; and it was absolutely necessary to set out in such an investigation as the present, with the establishment of some great and fixed principles in the mind; for a thousand points would then become manifest and simple, which otherwise would be contradictory and perplexed. He did not mean to say, that equal quantities of paper would affect the value of equal quantities of goods in an exactly equal degree, under all the varying circumstances which might arise. Far from it. He insisted, however, that augmentation of paper always *tended* to the diminution of its value, and diminution to its increase. The principle was always operative: its tendency was uniform, though not always productive of an equal effect.

A great fall of prices had at one time been

experienced in Dublin, in consequence of the suppression of a large part of the currency of the place, as one of the Irish Bank Directors had incidentally observed.

Mr. H. Thornton admitted that great pressure, and even calamity, might arise from any sudden and very violent diminution of the circulating medium: he had himself complained, of what he thought too great and rapid a reduction of the paper of the Bank of England, in the year 1797, when called upon to give evidence before the Secret Committee of the Lords and Commons on that point. He was as earnest as any man to prevent severity of pressure in any quarter, and having already shewn this disposition in the Bullion Committee, he was anxious to express it also in the House. But he was now investigating principles: he was aiming to shew the tendencies of things; and such tendencies were often most clearly evinced by the palpable effects manifested in some strong and striking case.

Assuming, then, the tendency of every increase of paper to lower its own value, or, in other words, to augment that of commodities exchanged for it; a point, as he had just observed, admitted on all hands, and so plain as scarcely to demand proof; he had, in order to establish the second and concluding part

of his argument, merely to prove something which was as undeniable as any mathematical proposition, as plain as any common question in arithmetic, and of which he felt just as confident as of his own existence.

This was, that supposing an increase of paper to take place, and to augment the general price of commodities in exchange for that paper, it must influence also the state of the Exchanges, and raise the price of Bullion. For what, in the first place, do we mean by the rate of our Exchanges? We mean the rate at which the circulating medium of this kingdom passes in exchange for the circulating medium of other countries. Supposing, then, the circulating medium (the gold or silver coin for example) of other countries to remain as before, that is, to bear the same price as before in exchange for commodities, while the value of our currency, in exchange for commodities, has been altered, it follows that our currency must exchange for a new quantity of such foreign coin. It also follows equally, that it must exchange for a new quantity of Bullion; for foreign coin is itself made of Bullion, deviates from it in only a limited degree, and is almost identified with it. Bullion, indeed, is a commodity: it comes from America in the same manner as other commodities—is subject

to those laws which govern their rise and fall—and consequently, when it is affirmed that an increase of circulating medium, raises the price of commodities, Bullion must be considered as included among their number. It could not be supposed that one article would be affected by an increase of the general currency, and not another;—the produce of manufacturing industry, for example, and not the produce also of the surface of the earth, and of the mines. All things, it is manifest, must ultimately partake in that increase of price which an augmentation of currency tends to produce, as well as in that depression of price which a reduction of it occasions.

Mr. H. Thornton next proceeded to observe on the doctrine which was maintained that the present high price of Bullion and state of the Exchanges resulted from the unfavourable circumstances of our commerce, and the present extraordinary state of the world. The evil was referred to what is called the unfavourable balance of trade or of payments, and was thought to have nothing to do with quantity of paper inasmuch as this balance of trade and payments was deemed a separate and independent cause. He was willing freely to admit the influence of the present circumstances of our trade and expenditure, on Ex-

changes and the price of Bullion ; but he could not allow that these had a separate and independent operation.

He should best explain himself, on this difficult but important subject, of the influence of balance of trade, as it is called, or balance of payments, by putting three several cases ; in each of which cases, he would suppose that we had to struggle with political and commercial difficulties exactly resembling the present.

First, he would assume that we had no laws ✓ forbidding the melting and exportation of our coin, or limiting the rate of interest, or protecting the Bank against cash payments, it being the simple policy of the country to let every thing take its own course. By thus adverting to what might be called a state of nature, we should be able to discover what was the natural limitation of the evil to which we were now subject ; and what the kind of corrective which administered itself. He was not examining whether it was wise to commit ourselves to this state of nature ; he was now only investigating principles, that we might thus obtain some light to guide us amidst those difficulties of our own artificial system, in which our understandings seemed to be lost.

His second case would be, the actual case of ✓ this country before the cash payments of the

Bank were suspended ; and his third, our case at present.

First, then, he would suppose, that we were paying in cash, and that we had no usury laws, and no law forbidding the melting or exportation of coin ; the King merely affixing his stamp to those pieces of gold which were the current circulating medium, in order to certify their quantity and fineness. For the sake of simplifying the subject, he would also assume the same circulating medium to be employed in surrounding countries. If, while we were thus circumstanced, the same evils of which we now complain were to arise, what would be the consequence ? Doubtless much of our gold coin would be taken from us ; and, perhaps, a larger quantity of this than of other articles. The whole, however, would not leave us ; a high rate of interest would arise, and this extra profit on the use of gold, which would increase as its quantity diminished, would contribute to detain it here—some foreigners, probably, transferring property which would take the shape of the precious metals, or continuing to afford to us the use of it for the sake of this high interest. Such portion of our coin would be transferred, as would cause the remaining quantity to bear the same value in exchange for our remaining commodities, which the same coin in foreign

countries bore to commodities abroad. In other words, gold and commodities would be exported in that relative proportion in which the exportation answered; and since every diminution of the quantity of our gold would produce an augmentation of it abroad, the relative value of gold to goods, in this and in foreign countries, would soon find one general level; and thus gold would remain the standard of value among us all. This, indeed, was simply to suppose the same case to occur in respect to Europe, which usually exists in respect to the different provinces of the same kingdom. He repeated, that he was merely putting a case for the sake of illustration; and the great point which he meant to press was this, that according to what he had denominated the state of nature, there would *be a reduction of the circulating medium of this country under the present circumstances of our trade*—a reduction which would tend to bring down our prices to the level of the prices which similar commodities, allowing for all expenses of transportation, were found to bear in exchange for gold in the general market of the world.

He would now put the second case. He would suppose our laws to forbid both the melting and exportation of coin, and to limit the rate of interest to five per cent.; and the

Bank to be paying in cash. In other words, he would assume that we were circumstanced as we were before 1797, and that exactly the same political and commercial difficulties which we now experience were to arise.

The effect of these difficulties upon the quantity of our currency, would resemble the effect assumed to be experienced in the former case, though it might not be exactly equal in degree. There would arise a similar demand for cash, with a view to exportation; and though the law would interpose some obstacle to its transmission, yet some of our gold would probably go abroad, and it would serve, as in the former case, both as a remittance which would contribute to pay our debts, and as the means of augmenting the circulating medium of foreign countries, as well as of diminishing our own. The Bank, in this event experiencing a drain, would, in some degree, contract its issues. It would not only not increase them, as it has in some degree done during the last two or three years of the very unfavourable state of our exchanges; it would diminish them; it would feel itself, in consequence of our new circumstances, under the painful necessity of straitening its accommodation either to merchants or government, or both; and some difficulty in effect-

ing the limitation would arise out of the necessity under which the Bank would consider itself to be placed of still continuing to lend at only five per cent. It was only by limiting its paper that it could maintain its own cash payments. The reduction would undoubtedly be an evil, but it would be an evil to be balanced against another evil otherwise to be incurred, that of stopping payment, and ceasing to abide by the standard of value which the King and the law had prescribed.

He was aware that this view of the case was not the most gratifying, and might not be welcome to some gentlemen around him; but it was the truth, and it was only by the right knowledge of the nature of our situation, that we could expect to come to any just conclusion. Thus, in this second case, exactly as in the first, there would be a reduction of the total quantity of circulating medium, which would be carried so far as to equalize, or nearly equalize, the relative value of our currency and commodities with the relative value of currency and commodities in other countries. Doubtless a pressure might arise which possibly might be considerable: (*A cry of Hear! Hear!*) He wished to know whether his principles were admitted. Was it acknowledged, that if we were now paying in cash, as before

1797, the Bank would thus limit its issues, and by such limitation would lower the price of Bullion, and rectify the Exchange? He should be glad to have a distinct affirmative or negative to this question. What degree of pressure might result, was not the main point now under consideration. He did not care at this moment what gentlemen said as to that point. He was in search of a principle. Did they or did they not admit his fundamental position, namely, that when a very unfavourable exchange, resulting from what is called an unfavourable balance of payments, arises, the limitation of the currency of the country serves to limit the evil? He had shewn, first, that this was the corrective which applied itself in what he had called the state of nature; and, also, secondly, that this corrective applied itself under that partly artificial system, under which we lived before our cash payments were suspended.

He now advanced to his third, which was the present case. The Bank, since they became protected against the necessity of making cash payments, not unnaturally thought that they might use more liberality than they would have ventured to exercise under the same circumstances of our trade, if they had been subject to a drain for cash. They, perhaps, were

not much to be blamed on this account. Indeed, they appear not to have believed that a reduction of their paper would mend the Exchange, for they had not examined very deeply or philosophically into the subject. They had continued, although the exchanges turned much against us, gradually a little to augment their notes, as they had done for a long time before, they appearing to themselves not to increase, but merely to maintain the existing prices; and they hoped that the evil of the unfavourable exchange would correct itself. Possibly some new latitude might fairly be allowed under the new political circumstances in which we were placed. It was, however, important not to mistake leading principles, and not to fancy that an exchange running against us with all countries for two or three years, and reaching the height of 25 and 30 per cent., accompanied with a corresponding high price of gold, ought at no time and in no degree to be checked by that limitation of the currency to which nature, as it were, as well as our own practice before 1797, taught us in such cases to resort. He was aware that before 1797, if our coin was sent abroad, it went illegally. (*A cry of Hear! Hear!*) The illegality of the transaction, however censurable it might render the indi-

viduals engaged in it, was no reason for dismissing the consideration of this part of the subject. It was by this illegal melting and exportation of our coin that the drain on the Bank used heretofore to be produced; and it was by the operation of that drain on the mind and practice of Bank Directors, that the evil of a high price of gold, and an unfavourable exchange, was checked.

It was affirmed in the resolutions to be proposed by his Right Hon. friend (Mr. Vansittart), that there was a want of correspondence between the amount of bank paper in circulation at a variety of periods, and the state of the exchanges, the exchanges being often more favourable when the notes were higher, and less favourable when they were lower in amount. This might be the case in certain instances which might be selected; for a variety of undefinable circumstances would lead to little fluctuations, both in the exchange and the amount of notes. It, however, was remarkable, that three cases had occurred, and only three within the memory of persons now living, in which the experiment of a restriction of discounts had been made; and in each of these the effect had been conformable to the principles which he was affirming. He meant to say, that at three several times—namely, first in 1782 and

1783; secondly, in the end of 1795 and the beginning of 1796; and, thirdly, in February 1797; and only at these three times the Bank had experienced a material drain of their cash;—that in each of these cases they had been led by the drain, as they themselves professed, to restrain their supply of discounts;—and that not long after each of these three periods, the exchange and the price of bullion manifestly improved. Perhaps a question might arise, whether the improvement of the exchange through the year 1797, might not be referred to the restriction of paper in 1795 and 1796, rather than to that in the single month of February 1797: on which supposition the cases might be said to be two, instead of three; the effect of the limitations in the two latter periods being considered as combined.

That in the first period, namely, in 1782 and 1783, the experiment both was made and answered, was proved by the testimony of the late Mr. Bosanquet before the Secret Committee of 1797, who referred the improvement to this cause. The improvement of the exchange in 1796 and 1797 would be seen in the papers now before the House, and would also be found to be stated in the evidence of Mr. Pitt before the Secret Committee; by whose testimony it also would appear how earnestly

the Bank had previously insisted on his repaying them some large advances, on the alleged ground of the existing drain; of which advances only a part was afterwards afforded in the way of accommodation to the merchants. A resolution of a new and very strict kind had been passed by the Directors, on 31st December 1795, with a view of limiting the total amount of mercantile discount, and served remarkably to shew how much their liberality had been restrained, before the suspension of cash payments, by a drain of gold.

✓ The limitation of paper in February 1797 was sudden and very great, and arose from a drain occasioned, not by an unfavourable exchange, but a totally distinct cause—an alarm produced through fear of an invasion. He had always thought, and still was of opinion, that the sudden limitation of paper at that period tended not to mitigate the alarm, but rather to increase it; but it unquestionably served to manifest the general habit of the Bank of reducing their issues when they found their gold taken from them. Since 1797, the Bank, having been subject to no drain, in consequence of their being under no obligation to pay in cash, the experiment of a limitation of discounts had not been tried, and it had not been likely to be tried between 1783 and 1795, for that was an

interval of peace, when exchanges are less subject to fluctuation, and when, moreover, the current rate of interest in the market being lower than in war, and as low perhaps as the rate charged by the Bank, there would be less disposition than in war to borrow of the Bank to an extent which should lead to an excessive issue of notes. It was in evidence before the Secret Committee of 1797, that the Bank had, at one period of the peace, deliberated, whether they should not lend at a less rate of interest than five per cent., so small was then the demand for discount.

This subject, of the rate of interest, was one ✓ to which he wished to call the attention of the House; it seemed to him to be a very great and turning point. If the principle adopted by the Bank was that which they professed, of lending to the extent, or nearly to the extent, of the demand made upon them by persons offering good mercantile paper, the danger of excess was aggravated in proportion to the lowness of the rate of interest at which discounts were afforded; and one cause, as he conceived, of the somewhat too great issues of the Bank, during the present war, had been the circumstance of their lending at five per cent., when rather more than five per cent. might in

reality be considered as the more current rate paid by the merchants. Private bankers had generally found, during the war, that the growing demand of their customers on them, for discounts at five per cent. on very good bills, was apt to exceed the supply which any means of theirs could enable them to afford. If they gratified every wish, there would be no bounds to the gradual increase of applications. They therefore gave the preference to some applicants, and the persons who obtained the accommodation conceived themselves to be receiving a favour. The usury laws forbid the banker to charge more than five per cent.; but he who borrowed from a private banker, naturally, and of his own accord, bestowed the benefit of his running cash, which was often an important consideration; while, in the case of his discounting at the Bank, he kept a running cash which was extremely insignificant, and therefore borrowed at the rate of exactly five per cent. in that quarter. Again, if he borrowed in what is called the money market, he gave to a broker a small per centage on every bill; and thus paid not less than five and a half or six per cent. per annum, in the way of interest.

It was material to observe, that there had, since the beginning of the war, been a conti-

nual fall in the value of money: he meant, of money commonly so called, whether consisting of cash or paper. This had been estimated by some at 60 or 70 per cent. and certainly was not less than 40 or 50 per cent.; which was, on the average, 2 or 3 per cent. per annum: it followed from hence, that if, for example, a man borrowed of the Bank 1000*l.* in 1800, and paid it back in 1810, having detained it by means of successive loans through that period, he paid back that which had become worth less by 20 or 30 per cent. than it was worth when he first received it. He would have paid an interest of 50*l.* per annum for the use of this money; but if from this interest were deducted the 20*l.* or 30*l.* per annum, which he had gained by the fall in the value of the money, he would find that he had borrowed at 2 or 3 per cent. and not at 5 per cent. as he appeared to do. By investing his money either in land or in successive commercial undertakings, in the year 1800, and then finally selling his land or his commodities in the year 1810, he would find the produce amount to 200*l.* or 300*l.* above the 1000*l.* which he had borrowed; which 2 or 300*l.* being deducted from the 500*l.* interest which he had paid, would make the neat sum paid by him to be only 200*l.* or 300*l.* It was true, that men did not generally perceive, that, during

a fall in the price of money, they borrowed at this advantageous rate of interest; they felt, however, the advantage of being borrowers. The temptation to borrow operated on their minds, as he believed, in the following manner:—they balanced their books once a year, and, on estimating the value of those commodities in which they had invested their borrowed money, they found that value to be continually increasing, so that there was an apparent profit over and above the natural and ordinary profit on mercantile transactions. This apparent profit was nominal, as to persons who traded on their own capital, but not nominal as to those who traded with borrowed money; the borrower, therefore, derived every year from his trade, not only the common mercantile profit, which would itself somewhat exceed the 5 per cent. interest paid by him for the use of his money, but likewise that extra profit which he had spoken of. This extra profit was exactly so much additional advantage, derived from the circumstance of his being a trader upon a borrowed capital, and was so much additional temptation to borrow. Accordingly, in countries in which the currency was in a rapid course of depreciation, supposing that there were no usury laws, the current rate of interest was often, as he believed, proportion-

ably augmented. Thus, for example, at Petersburg, at this time, the current interest was 20 or 25 per cent., which he conceived to be partly compensation for an expected increase of depreciation of the currency.

The observations which he had made had been suggested to him by his attention to a variety of facts; and he would now trouble the House with the statement of some specific cases, which would contribute to establish the truth of the doctrine which he had asserted—namely, that an increase of the quantity of paper tended to diminish its value; and a reduction of its quantity, to improve it;—that when the quantity became too great, a drain of cash arose; that this drain was checked by a limitation of paper;—and that the excess, and consequent drain, were most likely to accrue when any circumstances rendered the rate of interest taken, less than the current and actual rate at the time in the common market.

The case of the Bank of Paris was remarkably in point, and it was full of instruction to the parliament and people of this country. That Bank stopped payment in 1805, the year when the war had again broken out. It was a Bank as independent as any such institution in France could be, of the French government. It had a good capital, and circulated notes

around the metropolis of France; which it emitted only in the way of discounts, and, as far as he understood, only on the security of bills at short dates, and of a good character: it thus exceedingly resembled the Bank of England, though inferior in the extent of its transactions. The French government having occasion in 1805 for some advances on the security of what they call their anticipations, a species of security on which it was not consistent with the rules of the Bank of Paris to lend, borrowed the sum in question of some French merchants and capitalists, who then contrived to fabricate among themselves, and proceeded to discount at the Bank, as many securities as were sufficient to supply their occasions; so that the Bank was the true lender. The object of thus borrowing at the Bank, was to save something in the way of interest; for if these anticipations had been sold in the market, the price would have been very disadvantageous. The consequence of this transaction was, an augmentation of the paper of the Bank of Paris; a drain of their cash followed; the diligences were found to be carrying off silver into the departments, which the Bank, with a view to its own safety, had continually to bring back, with much expense and trouble. The circulating medium of the

metropolis had now plainly become excessive. Greater facilities were afforded for borrowing in that quarter than in other places, and the country wished to partake in those opportunities of extending purchases which the metropolis enjoyed. But the paper of the Bank would not circulate in the departments: it was therefore necessary first to exchange it for coin; and the coin being then carried away from Paris, the plenty of circulating medium would equalize itself through the French territory. In England we had country bank paper, which was interchanged for Bank of England paper, and proportioned itself to it; but no part of the English paper would circulate out of the country. What therefore the departments of France were to Paris, that Europe was to Great Britain. If large opportunities of borrowing were afforded in London, and over England, by a free emission of paper, there would arise a disposition to exchange that paper for gold, because the gold might then be sent abroad, and it would tend to diffuse over the continent that plenty of circulating medium which we had introduced into our own territory.—It might, perhaps, be thought that the cases were dissimilar, inasmuch as we had an unfavourable course of exchange, and a high price of gold,

into which the evil which we suffered appeared to resolve itself. But it would be found that there arose also a premium on silver at Paris, and an unfavourable exchange between Paris and the departments of France; and this was proportionate to the expense and trouble of bringing back the silver from the departments. There was, therefore, a similarity in the two cases. The Bank of Paris at length stopped payment; the Government was consulted; the Bank was directed to reduce its paper; and in the course of three months, having pursued this principle, it opened without difficulty. The discount on its paper, or, in other words, the premium on coin, had varied from 1 to 10 or 12 per cent.; but after the reduction of paper it ceased. The exchanges of France with foreign countries had also turned about 10 per cent. against that country.

A special commission, of which M. Dupont de Nemours was the secretary, was subsequently appointed to inquire into the causes and effects of this stoppage of the Bank of Paris; and it was from the French Report published by this gentleman that he collected the facts which he had stated. The report proceeded to suggest the means of preventing the recurrence of a similar evil, and it advised three things;

first, that the Government should never solicit any loans from the Bank, on the ground that such an application amounted to a demand, and might lead to issues inconsistent with the true nature of a banking establishment. It was unnecessary to observe, how unlike our circumstances, in this respect, were to those of France. Our Bank Directors had sufficiently shewn, in 1796, their complete independence of the Government; for they then peremptorily refused to afford to Mr. Pitt even the continuance of the existing advances. The second suggestion of the commission was, that the Bank of France should lend only on securities coming due within two months; and this, as well indeed as the other, was for the purpose of enforcing the third and principal admonition,—namely, that the Bank should always “draw in its discount as soon as it perceived the existence of a more than ordinary disposition to exchange bank paper for money*.” “For what,” added the Report, “mean these applications for money? They imply that there are more bank notes on the spot than the circumstances of the time demand. And how are you to provide against this evil? By diminishing their quantity, through a

* “Reserrer l'escompte, aussitôt que l'on s'aperçoit qu'il se presente à la Caisse plus de billets à réaliser en argent que de coutume.”

reduction which shall exceed the new emissions*." It is then added, that if the Directors of the Bank will but be attentive to the first signs of superabundance, if they will moderate the evil in the first instance, they will almost always retain the mastery; and thus the horseman (it is said) will not be thrown out of his saddle.

Many of the principles urged by the Bullion Committee, would be found to be remarkably confirmed by this Report. It appeared by it, that the French over-issue arose from an attempt to turn certain securities into cash, at a rate of interest lower than that which was the natural one at the moment. The Report dwelt much on the error committed in this respect. The anticipations, it said, ought to have been sold, though at a losing and discreditable price, at whatever might have been the rate in the market.

Again, the Report stated that the limitation of the French bank paper did not produce an instantaneous, or exactly corresponding effect; but yet that after three months it issued in the expected consequences. All this was in exact conformity with the doctrines of the Bullion

* " Qu'est-à-dire que ces demandes d'argent? Qu'il y a sur la place plus de billets que les affaires du moment n'en exigent. Et comment y pourvoir? En diminuant leur quantité par un retrait plus fort que l'émission nouvelle."

Committee. They had never said that every small fluctuation of Bank of England paper would be attended by either an immediate, or an exactly proportionate, influence on the exchanges, or on the price of gold. They had only affirmed that the unquestionable tendency of limitation was to improve exchanges; and had recommended that the Bank should feel its way. The discount of 10 per cent. on the French paper was not completely removed till the amount was reduced from 90 to 54 millions of livres; a scale of reduction unquestionably greater by far than would be found necessary here, under all the circumstances of our metropolis.

The Report affirmed another principle of the Bullion Committee, namely, that it was not merely the numerical quantity of bank paper which evinced either its deficiency or excess; the true test being the disposition of the public to demand payment for bank notes in cash. At one time the Report observed that one hundred millions of bank paper had circulated at Paris, and that there was not a note too much, because there occurred no extraordinary demands for cash; but that at the period of the failure, 90 millions evidently were excessive; that at the time of publishing the Report, 44 millions was the whole amount. Circumstances were

described as occurring from time to time, which called for a diminution of currency, or an increase.

The Bank of Sweden supplied another example which it might be useful to consider. It was not, properly speaking, a government bank, being a bank only of the States: and it issued its notes in the way of loan, at a moderate interest, and their amount, as he had been informed, there was reason to think had been much extended. This bank had ceased, for some time, to pay in cash, and its paper had fallen to about 70 per cent. discount. Sweden, in one respect, was circumstanced somewhat like ourselves: it had experienced great obstacles to the exportation of many articles, with which it abounded; and, probably, the desire of keeping up the nominal price of those commodities, contributed to dispose both the government, the states, and the people to the existing system. The public in Sweden, according to what he had heard, were not fully persuaded of the depreciation of their paper; for many of their commodities, their iron in particular, had not risen in any proportion to the fall of their currency. Indeed, nations in general were usually insensible at first to the declension of the value of their circulating medium. They were accustomed to experience fluctua-

tions of exchange, and they naturally referred, at first, even a serious depreciation of their paper, to the same commercial causes which they were in the habit of contemplating. He well remembered to have been himself, twenty or thirty years ago, employed in a Russian counting-house, where he had often heard conversations on the Russian Exchange. It used at that time generally, and on the whole, to decline; but as it occasionally rose, and evidently fluctuated a little, with each political or commercial event, the general tendency to depression, as far as he remembered, was never ascribed to an increase of the quantity of Russian paper; but it was now plain, that quantity had had a leading and permanent influence upon it. The ruble, originally, was worth 48 pence sterling; at the time when he was in the Russian counting-house, it passed for 35 or 40 pence: it was now worth only 12 or 14 pence. Was it possible, that merely what is called balance of trade, or political events, could in thirty years have reduced the ruble from 48d. to 12d. ? It was now perfectly well known, that the late Empress, as well as the succeeding emperors of Russia, had, from time to time, greatly augmented the quantity of paper money; and hence, in truth, arose the depression. Many of those who narrowly watched the exchange, were the most misled

on the subject. Thus, if a man watched the falling tide, he might be deceived by seeing a few occasional waves rise higher than the preceding ones, and might infer that the tide was rising when it was falling.

It was reasonable to suppose, that men should generally mistake in this respect. We naturally imagine that the spot on which we ourselves stand is fixed, and that the things around us move. The man who is in a boat seems to see the shore departing from him, and it was the doctrine of the first philosophers that the sun moved round the earth, and not the earth round the sun. In consequence of a similar prejudice, we assume that the currency which is in all our hands, and with which we ourselves are, as it were, identified, is fixed, and that the price of bullion moves; whereas in truth, it is the currency of each nation that moves, and it is bullion, the larger article serving for the commerce of the world, which is the more fixed.

It was remarkable, that when the American banks, about the year 1790, issued their excessive paper, the merchants of America ascribed the consequent fall of the exchange to something in the state of trade; a circumstance which is noticed, in the recent history of General Washington, by Mr. Marshall.

All the banks which he had mentioned, except that of Russia—namely, the Bank of France, the Bank of Sweden, and the Banks of America, were establishments more or less independent of the government: they all emitted their paper in the way of loan, furnished at a moderate or low interest; and they had all issued it to excess. The adversaries of the Bullion Committee had grounded a great part of their argument on the following distinction between the Bank of England and all those Banks of which the paper had been depreciated:—The Bank of England, they said, issues nothing, except in return for something valuable: they receive a bill, representing real property, for every note which they emit; and therefore they cannot issue to excess. Now the French Bank, the American Banks of which he had spoken, and he believed also the Swedish Bank, issued paper only in the way of loan; they received something valuable in return for every note which they put out—in this respect resembling the Bank of England. It was true, that the Austrian and the Russian Banks issued paper simply in discharge of the expenditure of the government: they were, strictly speaking, government banks; and the excess in their case was more likely to be great. But it was of the utmost consequence to un-

derstand, that, even when a supposed equivalent is received in return for the paper issued, excess might arise; and the excess, as he had already said, was likely to be great in proportion as the rate of interest was low.

The Bank even of Mr. Law, in France, issued its paper only in the way of loan. This bank had been adverted to by the Learned Gentleman who opened the debate; and the Right Honourable Gentleman who spoke next to him had complained of the comparison between the establishment of that projector and the Bank of England. Undoubtedly the name of Mr. Law, and that of the present Directors of the Bank, ought not to be mentioned on the same day, if the general nature of the two establishments, or the comparative character of the persons presiding over them, were the only subject for consideration. It was, however, not improper to point out what was the main error of Mr. Law. It very clearly exposed itself in a small Essay on Money and Credit, published by him in Scotland, containing a plan, submitted to the Scotch Parliament, which was apparently not unlike to that which he had more successfully recommended in France. Mr. Law considered security as every thing, and quantity as nothing. He proposed that paper money should

be supplied (he did not specify in his book at what rate of interest) to as many borrowers as should think fit to apply, and should offer the security of land, estimated at two thirds of its value. This paper, though not convertible into the precious metals, could not, as Mr. Law assumed, be depreciated. It would represent, as he said, real property, and would be worth even more than the precious metals, because land was not subject to the same fall in value as gold and silver. He forgot that there might be no bounds to the demand for paper; that the increasing quantity would contribute to the rise of commodities: and the rise of commodities require, and seem to justify, a still further increase. Prices in France rose to four times their antecedent amount; great seeming prosperity was experienced for a time; but in the end, the fall of exchanges, and the exportation of money, served to detect the error of the system; and successive alterations of the standard of the coin were among the means of recovery to which the government resorted. The Bank of Mr. Law preceded the French Mississippi scheme, and was formed, in some measure, after the example of the Bank of England; but its notes, after a short time, were made a legal tender, and they were lent at the low rate of 3 per cent. interest. In the

progress of the scheme, the Bank became confounded with the Mississippi Company, for whose actions the bank notes were interchangeable; so that it was not easy to trace causes and effects through the whole progress of those extraordinary speculations.

The present state of the currencies in Surinam and Demerara afforded another proof of the tendency of an increase of paper to influence exchanges. In one of these places, the circulating medium consisted of paper; in the other, of coin; and before these colonies came into our possession, the coin of Demerara had even been of less value than the paper of Surinam, that paper having been carefully limited. Through the facility of the government of Surinam, the paper, as he had heard, had been exceedingly augmented, and it was now of only about one-third its former value, and one-third the present value of the coin of the neighbouring settlement. In Austria there had been a manifest excess of paper, and a corresponding fall in its value, indicated by the exchange. The case was somewhat the same at Lisbon. Indeed, in all parts of Europe, Hamburgh, Amsterdam, and Paris excepted, the principle of a standard seemed to have been lost; a suspension of cash payments had every where taken place; and paper had been

issued to excess, and had also been depreciated. It belonged, therefore, to Great Britain to take care that she did not follow the course of so many nations on the Continent; and it would be most presumptuous in her to assume that her Bank, on account of some undefined difference in its constitution, could act on their principles, and yet not share in their fate.

The Directors of the Bank of England, as he had already shewn, before the suspension of their cash payments, had been used to lessen their paper when they experienced a drain of their cash. The quantity of currency, indeed, when gold was in circulation, in the event of a very unfavourable exchange, lessened itself, for a part of it was transported to other countries. No such natural corrective now existed; and it therefore was important that the general and permanent state of the exchange should be regarded as the index of an excess of paper, and that the Bank Directors should not continue to act on the principle that a limitation of paper had no influence whatever on the exchange. This was the point on which they were at issue with the Bullion Committee. That Committee, as he conceived, would have rendered an essential service, even though guilty of all the errors with which the Right Honourable Gentleman had charged them—

errors, however, which he was by no means ready to admit—if they had merely called the attention of Parliament to this important subject. The Parliament had now to decide on this point of difference between the Committee and the Bank. He would not affirm it to be totally impossible that the exchange should improve, or even recover itself, without any change of system; but his fears predominated. The circumstance that most encouraged hope, was the fact of our exchanges having been restored, after a great depression, in 1800 and 1801, and apparently without any effort to improve them made by the Bank. There were, however, three points of difference between that case and the present. First, the exchanges did not fall, in the years of scarcity of 1800 and 1801, more than about 8 or 10 per cent. below par—they had now fallen 25 or 30, and even more than 30 per cent., and had continued much depressed for nearly three years. Secondly, we had in 1800 and 1801 a great quantity of gold in circulation, the clandestine transmission of which undoubtedly contributed to improve the exchange, by constituting a remittance; perhaps also to diminish the sum total of the currency remaining in this kingdom; and it should be remembered, that it is the amount of currency in general, and

not of paper in particular, which regulates the value. Thirdly, we had, after the fall of exchange in 1801 and 1802, the benefit of an interval of peace. If the Right Honourable Chancellor of the Exchequer would assure the House of the approach of peace, he would contribute much to dissipate the present fear.

The Right Honourable Gentleman over the way (Mr. Rose) had spoken of the balance of payments as having lately been peculiarly unfavourable to this country. A short time before the appointment of the Bullion Committee, the same Right Honourable Gentleman had stated in his place, from documents to which he only had then access, how uncommonly favourable the balance of trade appeared to be up to that time. He was right in his statement; for, upon an inspection of the annual Custom-house accounts of the year 1809, afterwards presented to the House, it appeared that the balance of that year was no less than about sixteen millions in our favour, if reckoned according to the official value—a balance greater by several millions than it had been in any preceding year. The balance, computed according to the real value, proved to be nearly as considerable, and equally exceeded the balance in real value of any preceding year. He admitted that the Committee

had fallen into inaccuracy in stating some parts of this topic; but it was a subject on which he defied any man to arrive at any thing like precision, and he had chiefly to lament that they had attempted too much specification. They had been betrayed into this course by too great a wish to follow their adversaries into a detail of discussion of this sort, which he was happy to find that the resolutions of his Right Honourable Friend did not much countenance. He was convinced that it was impossible to form any estimate of the amount of precious metals which went out of the country, or of what was called the balance of trade, by instituting calculations of the value of exports and imports, and by then combining with these the amount of drafts drawn on Government account, and all the other items which remained to be added to the two sides of the statement. The errors committed by those who had gone the furthest in such attempts were a warning on this subject. The Right Honourable Gentleman had remarked, that the sum paid for foreign freights had been erroneously stated by the Committee, as being to be deducted from the favourable balance; and he was right to a certain extent, in this observation. It, however, only followed from hence, that the Committee

had represented the balance somewhat less favourably than they should have stated it. The year which had passed subsequently to their Report, was certainly much more adverse than that to which they adverted, the large importations of corn in 1810 having materially augmented our imports. Neither this circumstance, nor the burning decrees of the enemy, on which much stress had been laid, were known at the time when the Committee made their Report.

He must advert, before he concluded, to the important subject of the standard of our currency. There was great danger of our finally departing from it, if we suffered the present depreciation of our paper to continue. The first resolution of his Right Honourable Friend appeared to him to be liable to the construction of laying in some claim to depart from it, if such a measure should hereafter be deemed expedient; for it asserted the King's right to alter the standard: and the very mention of such a right, at a period when the temptation to exercise it was occurring, might naturally excite apprehension among the public. Indeed the argument in favour of a deterioration of our coin (or of a change of its denomination, which was the same thing), would, while

the present state of things continued, grow stronger every day. To change the standard when the paper has been long depreciated, is only to establish and perpetuate a currency of that value, to which we already are accustomed, and may also be made the means of precluding farther depression. The very argument of justice, after a certain time, passes over to the side of deterioration. If we have been used to a depreciated paper for only two or three years, justice is on the side of returning to the antecedent standard ; but if eight, ten, or even fifteen or twenty years, have passed since the paper fell, then it may be deemed unfair to restore the ancient value of the circulating medium ; for bargains will have been made, and loans supplied, under an expectation of the continuance of the existing depreciation. If, therefore, we were in earnest in our professions of attachment to the standard, we ought not to place ourselves in a situation of irresistible temptation. By the present decision of the House, the question of adherence to the standard might be determined. It had been said, that, by our present contest in Portugal, we were in truth defending England, since we were preventing a conflict which might otherwise take place on English ground.

We might, by the parliamentary contest of this day, prevent a struggle for the maintenance of the standard of our coin. We were now, perhaps, fighting that battle, and at a time the most favourable for it. If the limitation of paper had been urged when the exchanges were only six or eight per cent. against us, it might have been said, that the evil was not sufficiently considerable to deserve attention. If we waited till they were fifty or sixty per cent. against us, it might have been insisted, that the time for administering such a remedy was past, and that the mischief was become too formidable for us to deal with. Was it not at least prudent to take the side of limitation? He had no idea, that all that embarrassment would result from a moderate reduction of Bank paper, which some gentlemen might suppose. Let the whole subject be fairly understood, for much depended on the general prevalence of sound opinions on this question;—let the contending parties yield a little to each other;—let it be known that the Bank proposes to do nothing sudden or violent; that they are determined to guard carefully against extensive failures; and to afford to the mercantile world reasonable facility for fulfilling the pecuniary engagements into

which they might have already entered ;—let it be seen through the country, that there was no party spirit, or heat, in our discussions:—he should, in that case, have little fear of disastrous consequences. If, on the other hand, the question was to be carried with a high hand, and there was to be a triumph of the Bank over the Bullion Committee ; if the Bank were to be encouraged in the extension of their issues for the sake of the temporary ease which these might afford to the merchants and to the government ; and we were resolved to shut our eyes to the remoter consequences ; the light might possibly, at length, break in upon us, as Mr. Burke, on another occasion, had observed, not through the ordinary apertures, but through flaws and breaches ; and we might then lament, too late, that we had not made timely efforts to restore the value of our currency. Gentlemen, he feared, had not sufficiently considered the present state of the law on this subject. A question was suspended, the decision of which was expected every day, and might lead to the establishment of two prices. We were, moreover, at the mercy of events. Many persons seemed to think that there was no particular evil to be apprehended from perseverance in the present system ; and were unwilling to resort

to a limitation of paper, because it was safer not to change our course: but they ought to reflect, that, though a small depreciation of paper produces little or no evil, and even may, for a time, operate beneficially; and though a great depreciation may not bring on at once any striking mischief; yet the long continuance and the growth of it, might lead to the most serious dangers. To the consequences of excess of quantity distrust might add itself: new laws might become necessary to enforce the receipt of the depreciated currency; and in order that they might be effectual, their severity must increase as the depreciation extended itself. This had been the course in other countries. At the same time, there probably would not be wanting ill-affected persons, who would endeavour to aggravate the evil, and would be glad to connect with the temporary discredit arising from the excess of our circulating paper, the discredit of the whole mass of our stocks, which had nothing to do with it. Surely it became the Parliament to anticipate the possible occurrence of such a state of things, and not to wait the uncertain course of events, as if we had no power whatever to provide for our own safety, or contribute to the improvement of our condition.

On these grounds he now supported the first set of the Resolutions of the Learned Gentleman, which affirmed the doctrine of a standard, and which recommended, as the means of expediting and insuring our return to it, a cautious restriction of the paper of the Bank of England.

ON the 14th of May, Mr. H. THORNTON observed, that having, when he before addressed himself to the House, spoken antecedently to all those gentlemen to whom he was opposed, excepting only one Right Hon. Gentleman (Mr. Rose), who had chiefly dwelt on the details of the Report; and having now the advantage of distinctly knowing the grounds on which their argument rested; he was anxious to be permitted once more to offer himself to their notice.

The speech of his Right Honourable Friend (Mr. Vansittart), in support of the Resolutions now proposed by him to be substituted in the place of those of the Chairman of the Bullion Committee, had particularly urged him to rise. In the conclusion of that speech, his Right Honourable Friend had enumerated the various circumstances to which he looked as the means of producing an improvement of the exchange:—first, a continental peace; secondly, a better understanding, and, consequently, an open trade with America; thirdly, some extension of our commercial intercourse with Europe;—

all of them, especially the first, events which he did not much encourage us to expect:—but it was remarkable that he totally omitted any mention of a limitation of paper, in this enumeration of the means of meliorating our exchanges. His Right Hon. Friend, in one part of his speech, as well as the Right Hon. Chancellor of the Exchequer, had admitted that a limitation of paper had a tendency to produce this effect; but it was plain, from the concluding part of it, that the principle was practically disregarded. Indeed, his resolutions were in the same spirit: they were silent on this point: they did not venture to deny the doctrine, that quantity of paper had an influence on its value; but they seemed to throw a doubt upon it; for they specified a variety of facts, with the evident view of discrediting the principle; and thus were calculated to lead men, less enlightened than the Mover, to suppose that the tenets of the Bullion Committee, in this respect, were completely visionary and erroneous.

He rejoiced that his Right Hon. Friend was the person who led the opposition to the Report of the Bullion Committee, because he was confident, that, with such an adversary, the discussion would be amicable, and free from party

spirit, and because the House was sure of hearing so much ability employed on that side of the subject. He could not, however, help remarking, that his Right Hon. Friend himself had been a party in an administration which had twice extended the term of the continuance of the restriction act on a principle which, if Parliament would now give its attention to the subject, he could not help thinking that they would perceive to have been very objectionable.

Twice, under the administration of Lord Sidmouth, of whom he wished to speak most respectfully—namely, once in peace, and once after the recommencement of the war—the act for restricting the cash payment of the Bank was renewed, upon the professed ground of the unfavourableness of the exchanges. This was not the principle on which the first act had passed, and he much questioned whether the Parliament would have ever consented to institute such a measure merely on that plea. It was by means of an unfavourable exchange, and a high price of bullion, that an excess of bank paper was detected and restrained, as he trusted that he had already sufficiently shewn. The ground on which the restriction bill had passed was much more justifiable, namely, that of an alarm arising

out of the idea of an immediate invasion, which caused a violent run upon the Bank, and threatened suddenly and unavoidably to exhaust its coffers. The State, for political reasons, on that occasion interfered. To extend the suspension because the exchange was unfavourable, was to adopt a new and dangerous course. He recollected to have himself, on one occasion, remarked on the insufficiency of this motive for the renewal; but the subject did not always particularly attract the attention of the House; it now, therefore, became them, and especially since they were resolved to continue the suspension, to look well to the general principles on which both they and the Bank proceeded, and not to consider themselves as debating merely on a temporary measure.

One great security to the Bank of England, heretofore, had been its independence of the Government: its paper had been properly restrained, because the Government had felt no interest and taken no part in the extended issue of it; and he submitted, whether, if the subserviency of large issues from the Bank to the purposes of the war, and the convenience of the State, were, during the suspension of cash payments, to be a principle recognised by Parliament, the State and the Bank might not become

identified in point of interest, somewhat in the same manner as those government banks on the Continent, whose paper had become first excessive and then depreciated.

It might not be improper to take a slight survey of the whole period which had passed since the first Bank Restriction Bill in 1797. Probably, in consequence, as he had before shewn, of a limitation of paper which was antecedent to that æra, and perhaps in consequence also of the caution which the Bank would naturally exercise for some time after it, the exchanges in 1797 and 1798 were peculiarly favourable, and a great tide of gold flowed into the country. In the years 1800 and 1801, when the scarcity of corn occurred—a commercial event more likely, perhaps, than any other to prejudice the exchange—the tide turned quite as much against us: the exchanges then fell below the point which they had ever reached while the Bank was open. The Bank did not at that time limit its issues, which it certainly would have done if it had been liable to make its payments in cash. The exchange, however, recovered itself in 1802, but it did not improve so much as to bring back gold into the country. After a few more years, the exchange turned much against us; and it had now, for the space of nearly three years, continued more unfavour-

able than it was ever known to be before the suspension. Thus the only influx of gold, of which we had had the benefit, since the suspension act of 1797, was, apparently, in consequence of a limitation of paper, antecedent to that period. There would naturally be a tendency to excess during the suspension of cash payments; but the first consequences of such excess, as well as the peculiar pressure of 1801 and 1802, would undoubtedly be mitigated by the exportation of a large portion of that immense fund of gold, with which the providence of the time preceding the suspension had enriched us; and the recovery of the exchange in 1802 was thus facilitated. When the second great pressure, of 1808 and 1809, arose, it found us stripped of a great part of our coin; and this probably was the reason why it proved so serious. It soon carried off our little remaining gold; and we were therefore now arrived at a period when we were no longer protected against the most fearful fall of our exchanges. As long as the foreigner knew that the bill on England, which he bought, could be turned into cash, which cash was of a given value, and subject, though contrary to law, to be transported, there was a limit to the depression of the price of the bill; and this limit would exist

even during the suspension of the cash payments of the Bank, provided there was a moderate quantity of gold coin actually circulating; for, in that case, if the exchange fell below a certain point, some men would clandestinely collect our guineas, and thus furnish a remittance: but now a man must walk a mile before he can collect a guinea: he must incur great expense in gathering, as well as in purchasing, the very trifling quantity of coin which remained among us. The limit, therefore, to the fall of the bill, was no longer what it had been: we were ceasing to have any limit, and were therefore now arriving at a new state of danger; so that it was difficult to say, in case untoward circumstances should arise, what might be the extent to which the exchange possibly might run down. Such had been the effect of the long continuance of the Bank Restriction Bill, and of the system under which we had acted during the fourteen years of its existence. The House had now decided against the repeal of it, and seemed to intend that the bill should remain in force until the period already assigned to it, of six months after the ratification of a treaty of peace. He was not eager as to the question whether the Bank should now be required to open at any early period. He would willingly

have agreed to suspend the determination of that point, if he could but have seen a disposition to act, in the mean time, in such a manner as to facilitate the opening. But the misfortune was, that the Directors of the Bank seemed to consider the suspension as exempting them from the necessity of pursuing the principles on which they would have acted if no suspending bill had passed, and on which also they could not fail now to act, if they were liable to pay in cash. To one of them the question was put, "Supposing the Bank to pay in cash, and a great drain to arise (and there could be no doubt that a great drain would now arise if the Bank were liable to pay in cash) should you advise some diminution of bank paper?" The answer was, "I must recommend it from necessity, though in my opinion it would not improve the exchange. I think it one of the advantages of the Restriction Bill, that we are not driven to that necessity." The Parliament, if they voted the resolutions of his Right Hon. Friend, would fortify the Bank in these opinions. They had, indeed, already indicated their approbation of them, by negating all the first resolutions of the Learned Gentleman; and in consequence of that vote, which he had considered to be a vote against any limitation of paper, he had reluctantly joined in the sub-

sequent vote for opening the Bank in two years;—a vote which he should have been glad to have had an opportunity of qualifying, by specifying certain accompanying measures, by which he thought that the apparent severity of it might have been mitigated, and the opening much facilitated. He had, when in the Bullion Committee, expressed a wish to soften the terms used in that part of the Report which suggested that the restriction should cease in two years. He was clearly against a period so indefinite as that of six months after the ratification of a treaty of peace, considering all the experience we had had. He was for returning to the principle on which we had set out, that of allowing to the Bank only a short term; possibly renewing it, if necessary, but not as a matter of course, and on the mere ground that the exchanges were unfavourable. He was aware that the gentlemen opposed to him had gained a great advantage by turning the attention of the public to the opening of the Bank; as if that were the only thing recommended by the Bullion Committee. This was not the sole object of their Report. There had been many shades of opinion upon that part of it, among men agreed in all their fundamental principles. The Bullion Committee had been far more united on the other point

on which he had dwelt—the propriety of limiting the bank issues with a view to the improvement of the exchange. The Parliament was now taking part with the Bank against their own Committee, in respect to this important principle; and the Right Hon. Chancellor of the Exchequer, in exerting himself on the same side, appeared to him to be taking on himself a fearful responsibility.

It had appeared in the course of the present debates, that the chief circumstance which had led the Directors of the Bank to embrace the opinion that the quantity of their paper had no influence on the exchange, was the doctrine which they entertained respecting what is called the Balance of Trade. The state of the exchange was, according to them, the unavoidable consequence of an unfavourable balance: he therefore requested leave to enter somewhat fully into this topic.

An inaccurate use of words had served to confuse many parts of the general subject under discussion; and the term balance of trade, in particular, had contributed to this perplexity. He would endeavour to expose the error involved in this expression; and in order to do this, it might be convenient to remark how it first obtained currency.

Our ancestors, eager for the acquisition of

the precious metals, exploring, as is well known new continents, chiefly with a view to this article ; and accustomed to consider trade as profitable or otherwise, in proportion as it brought in or took out gold and silver, were naturally led to denominate that part of our exports or imports which consisted of these metals *a balance*. In truth, however, this was not a balance. Bullion was an article of commerce, rising or falling in value according to the supply and the demand, exactly like any other, transporting itself in greater or less quantities according to the comparative state of the market for that and for other articles, and forming only an item on one side of the general account. Corn, or any other commodity, might just as properly be said to pay the balance as gold or silver ; but it would evidently be inaccurate to affirm that corn discharged it, because it would imply that the amount of all the articles except corn was fixed ; and that these having first adjusted themselves with relation only to each other, a given quantity of corn was then added to pay the difference. It was, for the same reason, inaccurate to affirm, that gold or silver paid the difference. He was aware that many of our older writers of great name had used expressions of this sort, and that a phraseology borrowed from such respect-

able authority ought not to be too much censured. They had written, however, at a time when paper currency scarcely had an existence; they had not contemplated the consequences of the introduction of so much paper credit: they had therefore not guarded or measured their expressions, as they probably would have done, if they had foreseen the use which was now made of them.

The Governor of the Bank (Mr. Manning) had in his speech quoted a passage in Mr. Locke, containing the term on which he had just animadverted, and had grounded himself on what he inferred from this expression to be the principles of that author. The words of Mr. Locke were these;—"The coming and going of our treasure depends wholly upon the balance of trade;"—a mode of speaking which certainly countenanced the doctrine of the Honourable Gentleman and other Bank Directors, namely, that there is no possibility of preventing the departure of our gold by any measures which the Bank can take, inasmuch as it is balance of trade, and balance of trade alone, which regulates both its coming and its going, over which balance the Bank has no controul. It would be found, however, that Mr. Locke, could not be so completely claimed as an authority, on the side of the Governor of the Bank, as might at first

view be supposed ; for Mr. Locke, in the part of his work immediately preceding that from which the quotation was taken, speaks of "two cases" in which profit may be made by melting down our money : "First, when the current prices of the same denomination are unequal and of different weights, some heavier, some lighter ; the other that of a losing trade, or an over-great consumption of foreign commodities ;" and then goes on to say, that "the coming and going of our treasure depends wholly on the balance of trade."

Mr. Locke, therefore, refers to either of two causes the disappearance of coin. Agreeing in this respect with Sir Isaac Newton and others, whom his Honourable Friend (Mr. Huskisson) had quoted, he affirms that two kinds of circulating medium, if of different value, cannot long continue to pass interchangeably, because the heavier and more valuable pieces will be melted down, with or without law, and the light ones only will remain. Did gentlemen allow the truth of what Sir Isaac Newton and other high authorities, not excepting Mr. Locke, had laid down as a fundamental maxim in this science ? If they did, they ought to admit not only that silver currency would disappear, if of more value than gold ; and gold currency, if

of more value than silver; and heavy pieces, if light ones were allowed equally to pass; but also that gold currency would vanish, if a paper currency of inferior value was circulating at the same time. Silver coin was not now a legal tender for more than a limited amount; gold coin and paper were therefore the only two currencies in use for the payment of large sums; Gold was now to paper what it had formerly been to silver, and what the heavier pieces of gold had been to the lighter pieces of the same metal. Thus, the present disappearance of our gold coin, might be ascribed to the first of the two causes mentioned by Mr. Locke, namely, the difference in value between the two kinds of currency in the country; and not to the second cause, the unfavourable balance of trade.

Still, however, the language of Mr. Locke was certainly inaccurate, when he said, that the "coming and going of our treasure depends wholly on the balance of our trade," and served to countenance that dangerous doctrine which now prevailed. According to this doctrine, the fact of the disappearance of our guineas attended with the highest imaginable price of gold, was no indication of an excess of paper or of a depreciation of it, but was simply an evidence of an unfavourable balance of trade; and

the only remedy was generally to promote national industry and œconomy. It might, indeed, be imagined by some, that according to this view of the subject, even additional issues of paper would operate as a remedy; for it might be said that an increased emission of it tended to encourage manufactures, an augmented quantity of manufactures supplied the means of enlarging our exports, and more extended exports improved the balance of trade; and thus an increased issue of paper might be assumed to be the means of rectifying the exchange, instead of prejudicing it. This was exactly the course of argument into which the Noble Lord over the way (Lord Castlereagh) appeared in one part of his speech to be running. It was an error to which he himself had once inclined, but he had stood corrected after a fuller consideration of the subject. There must obviously be a fallacy in this way of reasoning. It proved too much. It implied, that indefinitely to increase our paper, was the way indefinitely to improve its value in exchange for the circulating medium of other countries, as well as in exchange for bullion and for all commodities. The utmost admission which he was disposed to make was, that in proceeding to limit our paper with a view to the improvement of the exchange, we ought to avoid that severity of pressure by which manu-

facturing industry might be seriously interrupted.

According to the same erroneous doctrine, the export of our gold coin in each of those instances of which Sir Isaac Newton and others spoke, was referable to balance of trade, and not to the cause to which they ascribed it. When in the reign of King William, our gold coin went abroad, in consequence, if we were to credit Sir Isaac Newton, of its having become more valuable than our silver, through a change in the relative value of the two articles, it went to pay a balance of trade; for it was balance of trade, and balance of trade alone, according to the tenets in question, which caused the precious metals to transfer themselves to other countries. When in a subsequent year a similar difference between the two kinds of currency occurred, it was in order again to pay a balance of trade that the better coin quitted the kingdom. He would put another case. Suppose a fisherman on our southern coast, to collect a thousand guineas, and exchange them in the channel with some French fisherman for as much French brandy as should be deemed an equivalent, the gold, according to the doctrine in fashion, would have gone to pay the balance of trade. It would have been employed to discharge a previously existing national debt. It

was always, according to these tenets, the brandy which forced out the gold, and not at all the gold which forced in the brandy. By the Frenchman's putting the brandy into his boat, the Englishman was compelled to put the gold into his. The brandy always went before; the gold always followed after. It was one of the peculiar properties of gold that it always served to pay a balance.

The truth was, that our paper currency having become less valuable by nearly twenty per cent. than the gold contained in our coin, the coin could no longer circulate interchangeably for it, but went abroad, because there was a profit of nearly twenty per cent. on the transmission. This profit operated as effectually in withdrawing it from circulation, and causing that part of it which was not bought at a high price for manufacturing uses, to be exported, as if an actual bounty of twenty per cent. were given on the export of it; and as much prevented the importation of gold for the purpose of serving as currency—the only purpose for which large quantities of gold were usually imported—as if a tax of twenty per cent. were levied on the import of it. We deplored the loss of our gold coin; but by not limiting our bank notes, we were thus, in substance, laying a tax on its importation, and giving a bounty on its exportation: and

then, referring its absence to balance of trade, we imagined that we had no power of recalling it.

He admitted that something was to be conceded on the ground of an unfavourable state of trade and a bad harvest, as well as on account of large drafts in discharge of the foreign expenditure of Government. Our manufactures, and other exportable commodities, might happen not to be in such demand abroad as to supply, on such occasions, the whole of the remittance advantageously. The precious metals were in more universal request than any other article; and the transmission of a certain quantity of these might prevent so low a selling price of our commodities, in the foreign market, as might otherwise be necessary. But our gold was now gone, and that disadvantage of which he was speaking, was therefore one against which we were beginning to be quite unprotected. Our coin had for the most part left us in 1801. The state of our trade and foreign expenditure seemed not likely to improve materially. The exchange could not be corrected, as heretofore, by the transmission of specie. The cautious limitation of our paper was, therefore, a principle to which every consideration of prudence should lead us to resort.

Several of the first Resolutions of his Right Hon. Friend (Mr. Vansittart) were intended to

shew that there was no correspondence between the variations in the exchange for some time past, and the existing quantity of notes. He had in his former Speech remarked, in reply, that at three several periods—in 1783, 1795 and 1796, and 1797—the Bank had experienced a drain of gold, had consequently restrained their issues, and had experienced a subsequent improvement of the exchange. His Right Hon. Friend erroneously assumed that the Bullion Committee deemed the effect of a limitation of paper to be instantaneous; an error which was exposed by the amendments intended to be offered by the Chairman of the Bullion Committee. The influence both of a reduction and increase of paper, though sure, might be slow, and probably would be various, both as to the degree and time of its operation: it would affect, first, one kind of commodity, then another; probably operating more early on those articles of which the sale was for ready money, reaching slowly the land, and still more slowly the labour, of the country. When an over-issue of paper had produced a general alteration in the price of labour, and, through the price of labour, on that of commodities, the improvement of the exchanges became more difficult and hopeless; and this consideration ought to induce us not to delay the reduction of our bank notes till

the wages of labour had become materially affected. In the case of an alteration in the value of the coin of a country, the operation on prices, though in like manner sure, was also in like manner slow and irregular. Mr. Hume, in speaking of the successive deteriorations of the French coin, in the reign of Louis XIV., had remarked, that they did not at once produce a proportionate rise of prices. He says, "Though the high price of commodities be a necessary consequence of the increase of gold and silver," (as it surely must also be of the increase of paper currency), "yet it follows not immediately on that increase, but some time is required before the money circulates through the whole state. At first, no alteration is perceived: by degrees the price rises, first of one commodity, then of another; till the whole at last reaches a just proportion with the new quantity of specie in the kingdom. In my opinion," he adds, "it is only in the interval between the acquisition of money and rise of prices, that the increasing quantity of gold and silver is favourable to industry."—Those gentlemen who are eager to maintain an extended paper circulation, with a view of serving commerce, would do well to bear in mind this very sound observation of Mr. Hume. They should remember, that it is only by the perpetual increase

of paper that their object can be fully effected. They should also reflect, that, in proportion to this increase, the exchange will be prejudiced, and the standard of the country forsaken. Mr. Hume goes on to specify some facts in proof of his general position. "And that the specie," says he, "may increase to a considerable pitch before it have this latter effect" (of raising prices), "appears, amongst other instances, from the frequent operations of the French King on the money; where it was always found, that the augmenting of the numerary value did not produce a proportional rise of prices, at least for some time. In the last year of Louis XIV., money was raised three sevenths, but prices augmented only one."

The impression intended to be conveyed by his Right Hon. Friend (Mr. Vansittart) was this; that, inasmuch as there was no exact correspondence between the quantity of paper and the state of the exchanges, at the periods which were specified by him, the evidence of facts was against the doctrine of the Bullion Committee, that a diminution of paper tended to meliorate the exchange. His Right Hon. Friend, if reasoning at the time of Louis XIV., might have shewn the evidence of facts to have been against the corresponding doctrine of Mr. Hume, that a debasement of the quality, and

consequent enlargement of the quantity, of the coin of a kingdom, tended to raise prices. He would have only had to select some day almost immediately following the debasement, in order to shew that no perceptible consequence had followed. It then took a year to produce an effect amounting to 1-7th, when the whole ultimate effect ought plainly to be, and doubtless was, 3-7ths. The case of the Bank of France, in 1805, might, in like manner, have been turned by his Right Hon. Friend to the purpose of proving his own point. The restriction of its paper was not effectual at once; it was not operative in any kind of regular proportion to its degree. These two cases served, nevertheless, on the whole, to establish the doctrine of the Bullion Committee. They shewed both the general effect and the irregularity of it. Nothing, indeed, was more easy, than for one who, in a case like this, had the choice of the days on which he was to make his comparisons, to state facts which would seem to prove almost any thing. In one instance, his Right Honourable Friend, arguing from the amount of bank notes on a single day, had stated them three millions higher than a note supplied by a Bank Director (Mr. Raikes) had allowed them to be; of which error he had become so convinced, as to have altered his re-

solution. It was only by averages of the amount, and not by the amount on single days, and it was by looking to periods subsequent to the limitation of paper, that any sound inference could be made.

There was another species of unfairness in the Resolutions. They stated the fluctuations in the exchange and the price of bullion, for a long time preceding the suspension of cash payments; and then spoke of the variations since that period, as if these were somewhat similar *in their degree*. But was the House aware of the different extent of the fluctuations in the two periods? He would specify the fluctuations in the price of bullion. This was a surer test of depreciation than the exchanges. Many circumstances perplexed our inquiry into the true par of exchange; it was necessary to know, first, the exact standard in foreign countries;—secondly, the degree of wear of the current foreign coin; for it was with the coin actually circulating, and not with that which was fresh from the foreign mint, that the comparison with our own was to be made;—we ought likewise to be informed whether there was any, and what, foreign seignorage; and also, indeed, what obstacles to the exportation of the foreign currency. But, besides these sources of inaccuracy, many of which were continually varying, there was another most fruitful cause of error,

namely, the circumstance of the standard of this country having now for some time been gold, while that of Hamburgh in particular, as well indeed as of Amsterdam, was silver. There had been a very varying disproportion between the prices of gold and silver in the world; and this variation, as he believed, would serve to account for much of that occasionally great depression of our apparent exchange with Hamburgh in times preceding 1797, on which the opponents of the Bullion Committee had relied. The people of this country were not bound to examine into all the intricacies of the exchange, in order to know whether their standard was adhered to. The state of the exchanges merely afforded a confirmation of a depreciation of our currency: a generally high price of bullion of itself distinctly established it. What, then, was the price of bullion before 1797, and what was it now? It had never, before 1797, except in the South Sea year, and at the time when our coin was deteriorated, risen higher than 4*l.* 1*s.* 6*d.* per oz. and had scarcely ever reached that point; that is to say, it had never fluctuated more than from 3*l.* 17*s.* 10*d.* to 4*l.* 1*s.* 6*d.*—it was now 4*l.* 14*s.* It had not exceeded its proper mint price by more than 3*s.* 8*d.* or 2 to 3 per cent. in the one period—it exceeded it by 16*s.* 2*d.* or fifteen to twenty per cent. in the other. Was it

fair, then, to infer, or to imply, that because we had occasionally departed from the standard before 1797, to the extent, at the utmost, of two or three per cent.; we need not now regard a departure from it of fifteen or twenty per cent.? The Bullion Committee had never intended to say, that no deviation from the standard of our coin, however small, ought to be tolerated. They were not in this respect the theorists which they were sometimes represented to be. They, indeed, affirmed bullion to be the standard, and the more the subject was examined, the more did it appear that we had either this standard or none; but they allowed of a moderate departure from it. Nothing human was perfect. The very mint, though it professed to convert a pound of gold into forty-four and a half equal parts, or guineas, did not effect their object with mathematical precision, and to their deviation was given the technical name of a Remedy. Even the most minute departure of this kind below the standard might be called a depreciation. Through the wear of guineas there arose a further depreciation, which the Parliament had taken care to limit, by making them cease to be a legal tender when their weight fell below about one per cent. The strictness of this limit shewed the principle in the mind of Par-

liament; it proved that depreciation to a certain extent was contemplated, and that depreciation beyond that point was thought an evil to be carefully provided against. The operation of our laws, which prevented the melting and exportation of coin, had led to a further increase of the difference between the market price and mint price of gold, or, in other words, to a further depreciation. The effect produced by all these causes had never, before the suspension of cash payments in 1797, been such as to cause the actual currency of the country to differ from bullion more than to that extent of two or three per cent. which he had stated, except on the two occasions which he had spoken of. The people, therefore, up to that time, were secure of having the value of their currency thus far sustained. The liability of the Bank to pay in cash, guaranteed to them a paper incapable of departing below bullion further than in the degree which he had mentioned. At the present time this paper was fifteen or twenty per cent. below bullion, and they had no security against a further, and even indefinite, depression. It was said, that gold itself had risen; but even if it had, gold being the standard, we were bound to hold to it: we had held to it in its general fall, and we ought to abide by it in its general rise also. The argument that

gold had risen would justify an adulteration of the gold coin, just as much as it would justify the present depreciation. On the whole, he thought, that to confound the little differences between the market price and mint price of bullion before 1797, with the great difference at present, was most unfair. The difference, it was true, might he said to be only in degree, but degree was every thing in this case; and it was remarkable, that the Resolution of his Right Hon. Friend studiously forbore to specify the amount of the difference between the market price and mint price of bullion at the two periods.

There remained only one other topic on which he had to remark.—The Resolutions of his Right Hon. Friend assumed that the notes of the Bank of England were not excessive, because the difference between their numerical amount now and in 1797, was not greater than the comparative trade and expenditure at the two periods would fairly justify.

The notes of 5*l.* and upwards, for the average of three years before 1797, were about ten millions seven hundred thousand pounds; and, for the average of the last three years, were about fourteen millions two hundred thousand pounds. He would fairly say, that if he had been asked to pronounce them excessive on the simple ground of their re-

relative quantity at the two periods, he might have hesitated to do it. He should have inquired what was the state of the exchanges and the price of bullion, and should have formed his judgment chiefly by the answer to this question. He was, however, very far from admitting, on the other hand, that the due limitation of them could be presumed from what was called the small extent of their increase. There was much misconception on this subject, which those who, like himself, were acquainted with the money transactions of the metropolis, were best able to remove. A very increased degree of economy was practised in the use of notes. Gentlemen uninformed on this topic naturally assumed, that when our trade and revenue and public expenditure were extended, the amount of notes requisite for these enlarged payments must be nearly proportionate. But this was very far from being the case. In the infancy of paper credit, the circulation of such an establishment as the Bank of England might regularly and uniformly increase: a time, nevertheless, would come when it would begin to diminish; but exactly at what period, and in what degree, this change would take place, was not easily ascertained. When the Bank was instituted, and for some time afterwards, the fund which private bankers, who were then goldsmiths, kept in store as a provision against emergency, con-

sisted chiefly of gold; but by slow degrees it became Bank of England notes. The papers before the House would accordingly shew how very trifling was the circulation of the Bank at an early period of their establishment, and how greatly it after a time advanced. But it was not regularly progressive in proportion as confidence increased. The banker suffered a loss of interest proportionate to the amount of Bank paper in his possession; for which, therefore, he would be disposed to substitute a paper from which no such disadvantage accrued. Exchequer bills furnished one provision of this sort. They yielded interest to the banker, and yet were convertible by a very short and sure process into bank notes. Bank paper, therefore, was by no means the perfection of the system; it was not his "last and best supply." The last and best supply had been furnished from the Bank of the Right Hon. the Chancellor of the Exchequer, who well knew to what an extent his issues of this kind had been recently carried. Bills of exchange also, and other articles of a similar nature, served exceedingly to spare the use of notes; and a variety of devices was resorted to for the same purpose. As in many manufacturing concerns there had been a perpetual exercise of ingenuity, and a consequent abridgment of labour; so in the banking system there had been an

exertion of the talents of individuals in producing the necessary quantity of notes. Evidence had been given before the Bullion Committee of the increasing number of money-brokers, who passed from one banking-house to another, and supplied the daily and hourly wants of one quarter, by carrying away the superfluity of another. If we could suppose the sixty or seventy bankers of the metropolis to be reduced to six or seven, it was obvious that a very diminished quantity of notes would suffice for the same business. The improvements in the banking system tended to unite, as it were, into one house, for the purpose of which he was speaking, even those bankers who held no direct communication with each other.

The quantity of notes kept by private families was also, as he believed, continually diminishing, through the increased habit of employing bankers, and of circulating drafts upon them, in and round the metropolis. The circulation of Bank of England notes in the country (he still spoke of those of 5*l*. and upwards), had probably also diminished, in consequence of the immense increase of country banks. The sum total of the stock of Bank of England notes kept in store by these banks might be augmented; but that stock consisted, in a great degree, of those 1*l*. and 2*l*. notes, which he had left out of his calculation.

Mr. H. Thornton concluded with observing, that he was conscious of having left almost untouched many important parts of this extensive subject. The material point, however, of the nature of the standard, over which so much obscurity was thrown by the present Resolutions, had been so very ably and satisfactorily treated by the Right Hon. Gentleman over the way (Mr. Canning), as well, indeed, as by the Honourable Gentleman near him (Mr. Huskisson), that he had felt little inclination to dwell upon it: but he could not sit down without adverting once more to the first of the Resolutions now proposed, in which the right of the Crown to vary the standard, both with and without the concurrence of Parliament, seemed to be asserted. It might be true, that to the King, generally speaking, was committed the regulation of the coin of a country; but the language which he should be disposed to use, would be that, not of his Right Hon. Friend, but rather of Sir Thomas Rowe, at the council table of Charles I. ;—a language, indeed, in the first words of it a little resembling the Resolution on which he was animadverting, but far different in its conclusion. “The regulating of coin,” said Sir T. Rowe, “hath been left to the care of princes, who have ever been presumed to be the fathers of the commonwealth. *Upon their honours they are debt.*

ors and warrantees of justice to the subject in that behalf."

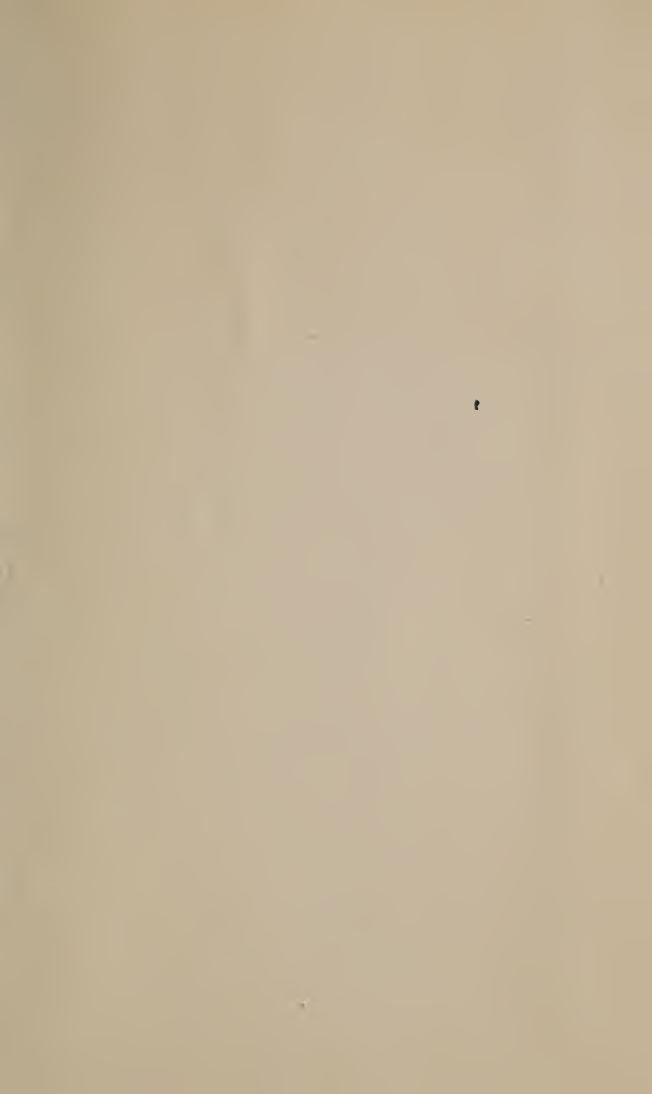
Dr. A. Smith had observed, that "in every country the avarice and injustice, of princes and sovereign states, abusing the confidence of their subjects, has by degrees diminished the real quantity of metal in their coin." This was an evil to which, in times of difficulty, like the present, all nations were prone. The Romans (observed the same author), in the later and worse times of their country, reduced their coin to one twenty-fourth. England had reduced her pound only to one third. Scotland enjoyed the honour, and had also had the advantage—for such the principles of the Right Honourable Baronet over the way (Sir John Sinclair) would probably lead him to consider it—of having reduced its coin to one thirty-sixth; France to one sixty-sixth. He had always deemed it highly creditable to England, that the deterioration of her standard had been comparatively so small; but we seemed to be now willing to expose ourselves to the danger of giving way to this temptation, while Hamburgh and Amsterdam, and our great adversary in France, were superior to it. Their several standards were sustained. That we might not yield in this respect to the pressure of our present circumstances, was the chief object for the sake of which he had spoken. A country seldom

was sensible of the first steps taken in this downward course; and it therefore belonged to those who possessed an extensive knowledge of such subjects, and adverted to the history of other nations, to point out the approaching danger.

He feared that the members of the Administration, partly, perhaps, through their having taken in the first instance a too transient view of the question, in consequence of their multiplied employments, and of their having then committed themselves too hastily upon it; partly also through a wish to enjoy the present benefit of an extended issue of paper in their financial and political concerns, were not the safest guides on the present occasion. He had endeavoured, for his own part, to fulfil his duty, both as an individual of the Bullion Committee and as a member of Parliament; and though he had not dwelt in his speech on the difficulties by which we were encompassed, he had not formed his judgment without taking them fully into his consideration.

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